

USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER NAME

Inland Telephone Company

(Prepared with Audited Data)

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period.
For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING
December, 2013

BORROWER DESIGNATION
WA0534

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

Gregory Maras

3/20/2014

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	566,757	298,416	25. Accounts Payable	192,641	1,134,728
2. Cash-RUS Construction Fund	8,040	395,813	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	82,426	84,486	28. Customer Deposits	2,090	2,539
b. Other Accounts Receivable			29. Current Mat. L/T Debt	673,300	389,000
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	453,381	636,441	32. Income Taxes Accrued	20	60,011
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	78,559	142,940
c. Notes Receivable	0	0	34. Other Current Liabilities	776,769	815,571
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 thru 34)	1,723,379	2,544,789
6. Material-Regulated	259,636	269,547	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	363,004	231,678
8. Prepayments	2,490	38,205	37. Funded Debt-RTB Notes	198,950	65,936
9. Other Current Assets			38. Funded Debt-FFB Notes	534,368	2,816,944
10. Total Current Assets (1 Thru 9)	1,372,730	1,722,908	39. Funded Debt-Other	0	(2,655)
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	290,671	51,709	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	178,123	190,106	46. Total Long-Term Debt (36 thru 45)	1,096,322	3,111,903
13. Nonregulated Investments	831,590	1,821,312	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits	716,612	528,126
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total Noncurrent Assets (11 thru 16)	1,300,634	2,063,377	50. Total Other Liabilities and Deferred Credits (47 thru 49)	716,612	528,126
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	22,584,411	22,848,876	51. Cap. Stock Outstand. & Subscribed	93,150	93,150
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	7,175	7,175
20. Plant Under Construction	323,657	2,578,522	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	15,657,911	16,940,466	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	7,250,157	8,486,932	56. Patronage Capital Credits	0	0
24. TOTAL ASSETS (10+17+23)	9,923,521	12,273,217	57. Retained Earnings or Margins	6,286,883	5,988,074
			58. Total Equity (51 thru 57)	6,387,208	6,088,399
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	9,923,521	12,273,217

Total Equity = 49.61% % of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		WA0534	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2013	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM		PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		713,304	668,600
2. Network Access Services Revenues		4,720,823	4,213,114
3. Long Distance Network Services Revenues		18,094	(788)
4. Carrier Billing and Collection Revenues		49,017	55,958
5. Miscellaneous Revenues		109,474	52,563
6. Uncollectible Revenues		4,796	6,272
7. Net Operating Revenues (1 thru 5 less 6)		5,605,916	4,983,175
8. Plant Specific Operations Expense		2,240,021	2,001,657
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		338,850	333,319
10. Depreciation Expense		1,255,274	1,316,875
11. Amortization Expense		182	182
12. Customer Operations Expense		517,868	549,599
13. Corporate Operations Expense		1,032,592	1,011,766
14. Total Operating Expenses (8 thru 13)		5,384,787	5,213,398
15. Operating Income or Margins (7 less 14)		221,129	(230,223)
16. Other Operating Income and Expenses		0	
17. State and Local Taxes		130,333	126,725
18. Federal Income Taxes		998	(167,547)
19. Other Taxes		0	0
20. Total Operating Taxes (17+18+19)		131,331	(40,822)
21. Net Operating Income or Margins (15+16-20)		89,798	(189,401)
22. Interest on Funded Debt		85,114	75,452
23. Interest Expense - Capital Leases		0	0
24. Other Interest Expense		14,655	19,260
25. Allowance for Funds Used During Construction		0	0
26. Total Fixed Charges (22+23+24-25)		99,769	94,712
27. Nonoperating Net Income		174,636	(14,982)
28. Extraordinary Items		0	0
29. Jurisdictional Differences		0	0
30. Nonregulated Net Income		(513,764)	(3,308)
31. Total Net Income or Margins (21+27+28+29+30-26)		(349,099)	(302,403)
32. Total Taxes Based on Income		(174,638)	(165,487)
33. Retained Earnings or Margins Beginning-of-Year		6,634,486	6,286,883
34. Miscellaneous Credits Year-to-Date		1,496	3,594
35. Dividends Declared (Common)		0	0
36. Dividends Declared (Preferred)		0	0
37. Other Debits Year-to-Date		0	0
38. Transfers to Patronage Capital		0	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]		6,286,883	5,988,074
40. Patronage Capital Beginning-of-Year		0	0
41. Transfers to Patronage Capital		0	0
42. Patronage Capital Credits Retired		0	0
43. Patronage Capital End-of-Year (40+41-42)		0	0
44. Annual Debt Service Payments		717,781	780,069
45. Cash Ratio [(14+20-10-11) / 7]		0.7600	0.7737
46. Operating Accrual Ratio [(14+20+26) / 7]		1.0018	1.0570
47. TIER [(31+26) / 26]		-2.4991	-2.1929
48. DSCR [(31+26+10+11) / 44]		1.4017	1.4221

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INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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PERIOD ENDED

December, 2013

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
DEWATTO	27.00	22.00	15	301	316	144.03	40.07
PRESCOTT	26.50	16.50	43	119	162	152.74	1.00
ROSLYN	24.00	14.00	194	1,012	1,206	157.54	34.06
UNIONTOWN	25.00	15.00	217	304	521	203.02	14.00
LEON	40.68	25.76	1	25	26	5.00	0.00
LENORE	40.68	25.76	23	245	268	178.24	12.00
MobileWireless					0		
Route Mileage Outside Exchange Area						9.61	9.61
Total			493	2,006	2,499	850.18	110.74
No. Exchanges	6						

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Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
DEWATTO	316	220	77	6,000	1,500	45.95	Package	DSL
PRESCOTT	162	49	49	768	512	35.95	Package	DSL
ROSLYN	1,206	843	741	6,000	1,500	35.95	Package	DSL
UNIONTOWN	521	230	187	6,000	1,500	35.95	Package	DSL
LEON	26	15	15	6,000	1,500	35.95	Package	DSL
LENORE	268	138	136	768	512	35.95	Package	DSL
Total	2,499	1,495						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS			BORROWER DESIGNATION WA0534 PERIOD ENDING December, 2013		
INSTRUCTIONS- See RUS Bulletin 1744-2					
PART D. SYSTEM DATA					
1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile	
18	40	463	5.40	2.94	
PART E. TOLL DATA					
1. Study Area ID Code(s) a. 472423 b. 522423 c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____		2. Types of Toll Settlements (Check one) <div style="display: flex; justify-content: space-between;"> <div> Interstate: <input type="checkbox"/> Average Schedule Intrastate: <input type="checkbox"/> Average Schedule </div> <div> <input checked="" type="checkbox"/> Cost Basis <input checked="" type="checkbox"/> Cost Basis </div> </div>			
PART F. FUNDS INVESTED IN PLANT DURING YEAR					
1. RUS, RTB, & FFB Loan Funds Expended					1,653,229
2. Other Long-Term Loan Funds Expended					
3. Funds Expended Under RUS Interim Approval					
4. Other Short-Term Loan Funds Expended					
5. General Funds Expended (Other than Interim)					
6. Salvaged Materials					3,000
7. Contribution in Aid to Construction					
8. Gross Additions to Telecom. Plant (1 thru 7)					1,656,229
PART G. INVESTMENTS IN AFFILIATED COMPANIES					
INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development	51,709		51,709		51,709
2. Investment in Affiliated Companies - Nonrural Development					

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PERIOD ENDING

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PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)



YES



NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	15.00%
7. Land and support assets - General purpose computers	25.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	42.06%
20. Cable and wire facilities - Aerial cable - Fiber	5.00%
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	
24. Cable and wire facilities - Buried cable - Fiber	
25. Cable and wire facilities - Conduit systems	
26. Cable and wire facilities - Other	

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OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		WA0534	
INSTRUCTIONS – See help in the online application.		PERIOD ENDED December, 2013	
PART I – STATEMENT OF CASH FLOWS			
1.	Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		574,797
CASH FLOWS FROM OPERATING ACTIVITIES			
2.	Net Income		(302,403)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
3.	Add: Depreciation		1,316,875
4.	Add: Amortization		182
5.	Other (Explain) See spreadsheet in notes section		(1,049,066)
Changes in Operating Assets and Liabilities			
6.	Decrease/(Increase) in Accounts Receivable		(185,120)
7.	Decrease/(Increase) in Materials and Inventory		(9,911)
8.	Decrease/(Increase) in Prepayments and Deferred Charges		(35,715)
9.	Decrease/(Increase) in Other Current Assets		0
10.	Increase/(Decrease) in Accounts Payable		942,087
11.	Increase/(Decrease) in Advance Billings & Payments		0
12.	Increase/(Decrease) in Other Current Liabilities		163,174
13.	Net Cash Provided/(Used) by Operations		840,103
CASH FLOWS FROM FINANCING ACTIVITIES			
14.	Decrease/(Increase) in Notes Receivable		0
15.	Increase/(Decrease) in Notes Payable		0
16.	Increase/(Decrease) in Customer Deposits		449
17.	Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		1,731,281
18.	Increase/(Decrease) in Other Liabilities & Deferred Credits		(188,486)
19.	Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		0
20.	Less: Payment of Dividends		0
21.	Less: Patronage Capital Credits Retired		0
22.	Other (Explain) See spreadsheet in notes section		188,037
23.	Net Cash Provided/(Used) by Financing Activities		1,731,281
CASH FLOWS FROM INVESTING ACTIVITIES			
24.	Net Capital Expenditures (Property, Plant & Equipment)		(2,519,330)
25.	Other Long-Term Investments		(762,743)
26.	Other Noncurrent Assets & Jurisdictional Differences		0
27.	Other (Explain) See spreadsheet in notes section		830,121
28.	Net Cash Provided/(Used) by Investing Activities		(2,451,952)
29.	Net Increase/(Decrease) in Cash		119,432
30.	Ending Cash		694,229

Revision Date 2010

USDA-RUS	BORROWER DESIGNATION
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2013

NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

ATES

INGTON RATES ARE ON PAGE 6)

Equipment-12.50%, Other Work Equipment-12.50%, Buildings-2.50%, Furniture-15.00%, Company Communications
omputers-25.00%, Office Support Equipment-5.00%, COE Switching-9.00%, COE Transmission-11.19%, COE Radio-
0%, Buried Cable-4.00%, Fiber Optic-4.00%, Aerial Wire-8.00%, Aerial Fiber-4.00%

PART I - STATEMENT OF CASH FLOWS

CASH FLOW RECONCILING EXPLANATIONS

Description	Amount	
Line 5 Other		
Depreciation and amortization on nonregulated investments		83,144
Change in deposits		449
Cash surrender value of life insurance		(6,708)
Less plant in AP		(900,603)

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2013
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	
Deferred and state income taxes	(225,519)
Non-cash stock dividend	171
Total Amount of Adjustment	(1,049,066)
Line 22 Other	
Reclassify change in deferred credits to operating activities	188,486
Reclassify deposit change to operating activities	(449)
Total Amount of Adjustment	188,037
Line 27 Other	
Additional amounts of capital expenditures	(209,765)
Salvage	3,000
Additional amounts of long-term investments	1 036,886
Total Amount of Adjustment	830,121

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2013
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	